



**ARIZONA STATE SENATE**  
*Fifty-Second Legislature, Second Regular Session*

FACT SHEET FOR H.B. 2019

credited service; military service purchase

Purpose

Reduces the number of credited service years in the Public Safety Personnel Retirement System (PSPRS), the Corrections Officer Retirement Plan (CORP) or the Elected Officials' Retirement Plan (EORP), from ten years to five years, which a member must have in order to purchase credited service for periods of active military service.

Background

Current statute allows a member of PSPRS, EORP or CORP who has at least ten years of credited service with their plan to receive credited service for periods of active military service performed before employment with the member's current employer if: 1) the member was honorably separated from the military service; 2) the period of military service for which the member receives credited service does not exceed 60 months; 3) the period of military service for which the member receives credited service is not on account with any other retirement system or except if the member is not yet eligible for a military retirement benefit; 4) the member pays the cost to purchase the prior active military service. The cost is the amount necessary to equal the increase in the actuarial present value of projected benefits resulting from the additional credited service; and 5) the amount of benefits purchased pursuant to this subsection is subject to limits established by Internal Revenue Code.

The ***discount rate*** is the rate used by pension plans to discount the cost of the future liability for these service purchases to present value and takes into account the short-term risk of not meeting the assumed rate of return.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Reduces the number of credited service years in PSPRS, CORP or EORP, from ten years to five years, which a member must have in order to purchase credited service for periods of active military service before employment with the member's current employer.
2. Applies the required discount rate to all purchases of credited service.
3. Requires, until July 1, 2017, that the discount rate used by the actuary for the calculation of the actuarial present value of the projected benefits is an amount equal to the assumed rate of return that is prescribed by the Board. This provision applies retroactively to August 1, 2012, and is repealed on July 1, 2017.

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4. Becomes effective on the general effective date, with retroactive provisions as noted.

House Action

GHE	1/21/16	DP	8-0-0-1
3 <sup>rd</sup> Read	2/8/16		56-0-4

Prepared by Senate Research

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CS/ls